

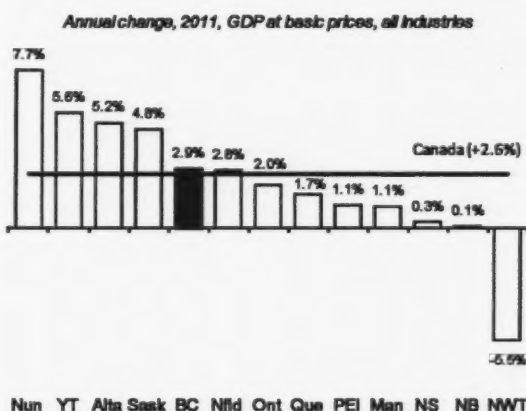
Business Indicators ♦ June 2012

B.C.'s Economy in 2011

B.C.'s economic growth in 2011 exceeded the national average

British Columbia's economy expanded 2.9%¹ in 2011, ahead of the national average (+2.6%). This marked a second straight year of GDP growth, following a notable decline (-2.2%) in 2009, when the economy shrank for the first time since 1982.

B.C.'s economy continues to make gains in 2011



Data Source: Statistics Canada

Economies across Canada, excluding the Northwest Territories (-5.5%), expanded in 2011. Nunavut (+7.7%) recorded the largest increase in 2011. B.C.'s economic performance, however, was more modest, particularly when compared to neighbouring Alberta (+5.2%) and Saskatchewan (+4.8%). Newfoundland (+2.8%)

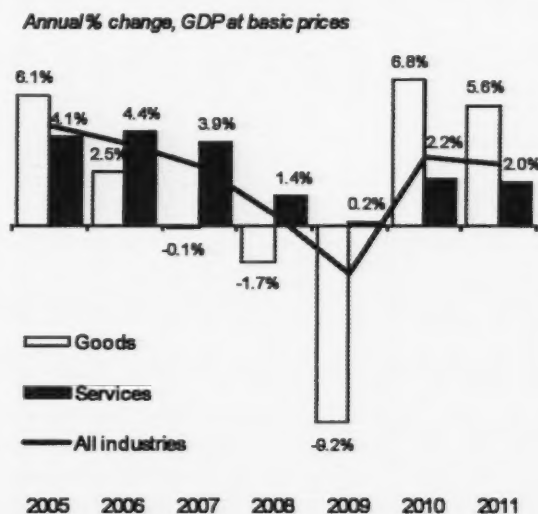
¹ Gross domestic product (GDP) figures quoted in this article are reported in chained (2002) dollars. Chained data have been adjusted to remove the effect of price variations. They can be viewed as estimates of the volume of output. In this document, chained GDP figures are referred to as "real GDP".

recorded the highest rate of GDP growth in Atlantic Canada, with the remaining eastern provinces posting rates well below the national average. Economic activity in Ontario (+2.0%) and Quebec (+1.7%) advanced at a moderate pace, still recovering after being hit hard in 2009.

Growth in goods sector continues to support service industries

B.C.'s goods (+5.6%) and service (+2.0%) sectors continued to advance in 2011, with growth slightly lower than in 2010, when the economy was rebounding from the previous year's recession.

Recovery persists in goods and service sectors



Data Source: Statistics Canada

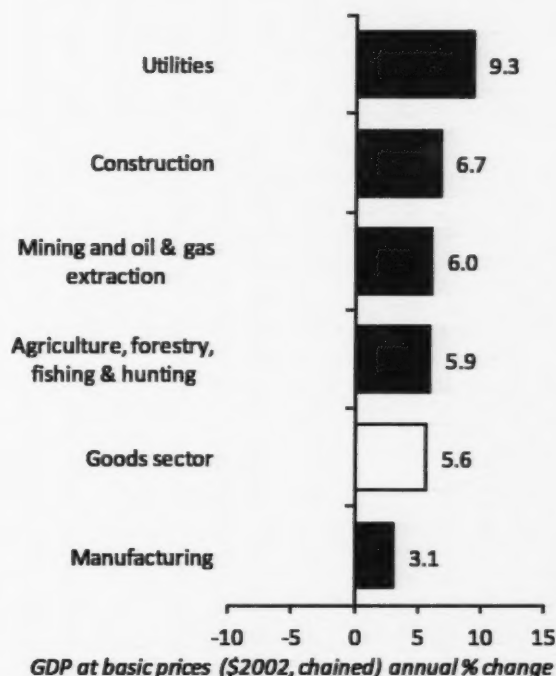
The overall rise in goods sector GDP was largely driven by heightened demand for energy, forestry, and industrial product exports.

Goods sector expands in 2011

The goods-producing sector continued to see increases in 2011, led by a spike in utilities (+9.3%), which grew for the first time since 2007. The construction industry expanded 6.7%, primarily due to strength in oil & gas engineering (+19.0%), and other engineering (+26.6%) construction.

Mining and oil & gas extraction posted considerable gains for a second straight year (+6.0%), mainly due to a boom in oil & gas extraction (+14.4%) and related support activities (+23.8%). Mining GDP, however, contracted 3.2%, driven by a substantial drop in metal ore mining (-17.4%).

The goods sector maintained moderate growth



Data Source: Statistics Canada

GDP in agriculture, forestry, fishing & hunting grew 5.9%, as forestry & logging (+11.2%), and fishing, hunting & trapping industries (+7.4%) both recorded increases. Support activities in

agriculture & forestry (+2.7%) rose for the first time since 2005, however, a slowdown (-2.4%) in crop & animal production, which began in 2010, worsened in 2011.

B.C.'s manufacturing sector recorded an expansion of 3.1%, with most key industries experiencing growth. Wood (+5.8%), food (+2.6%), and paper (+2.3%) product manufacturing all increased for a second straight year. GDP in primary & fabricated metal products rose (+3.7%) for the first time since 2007, mainly due to a surge (+8.0%) in fabricated metal products. These gains, however, were dampened by slowdowns among manufacturers of chemicals (-5.0%), computers & electronics (-2.4%), and furniture (-1.4%).

Modest expansion in most of the service sector

Moderate growth in the service sector, which accounts for approximately 77% of provincial GDP, was led by increases in transportation & warehousing (+4.1%), and finance, insurance, and real estate (+3.2%) in 2011.

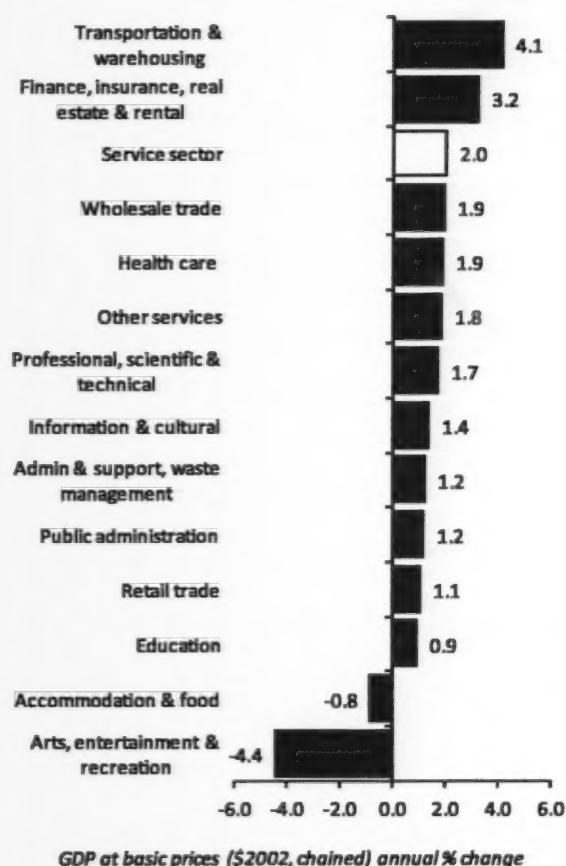
B.C.'s location serves as a point of entry and exit for goods in transit to or from other locations, which generally affects demand for various transportation-related services. Unsurprisingly, transportation and warehousing saw increases in truck transportation (+5.5%), transit & ground passenger transportation (+4.5), air, rail, water, and scenic & sightseeing activities (+4.4%), and postal service (+3.0%). Pipeline transportation declined for the fifth straight year, contracting 1.6%.

Wholesale trade in B.C. expanded 1.9% in 2011. While the industry is closely tied to the goods sector, it also provides services to consumers. Wholesalers provide products used by goods-producing industries, as well as retail outlets, and some, directly by consumers.

Professional, scientific & technical services, which include engineers, architects, accountants,

computer services, and other types of professional services, registered a 1.7% increase, a continuation of the recovery that started in 2010 after back-to-back annual declines in 2008 and 2009.

Service sector growth steady, for the most part



Data Source: Statistics Canada

Information & cultural industries, which includes motion picture production and exhibition, sound recording, broadcasting, telecommunications, and publishing industries) recorded an increase of 1.4%. Administrative & support and waste management industries, which includes services such as office administration, employment, and travel agencies, saw an increase of 1.2%.

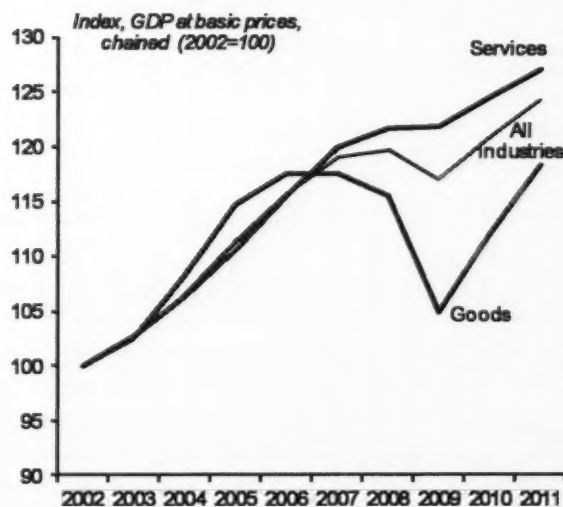
Industries with strong ties to the public sector continued to see growth in 2011, with health care (+1.9%), public administration (+1.2%), and education (+0.9%) all expanding.

While increased consumer spending resulted in increased GDP in retail trade (+1.1%), the arts, entertainment & recreation industry took a hit (-4.4%). A notable decline in performing arts, spectator sports and related industries (-11.5%), and a dip in gambling (-0.2%) were responsible for the drop, while growth in heritage institutions (+2.7%) and amusement and recreation industries (+0.7%) lessened it. The accommodation & food industry contracted marginally, 0.8%.

Recovery continues in the goods sector in 2011

Economic activity in the province's service-producing industries have expanded 27.0% since 2002. Over the same period, GDP in the goods sector increased at the markedly slower pace of 18.3%.

Goods sector GDP now exceeds 2007 levels



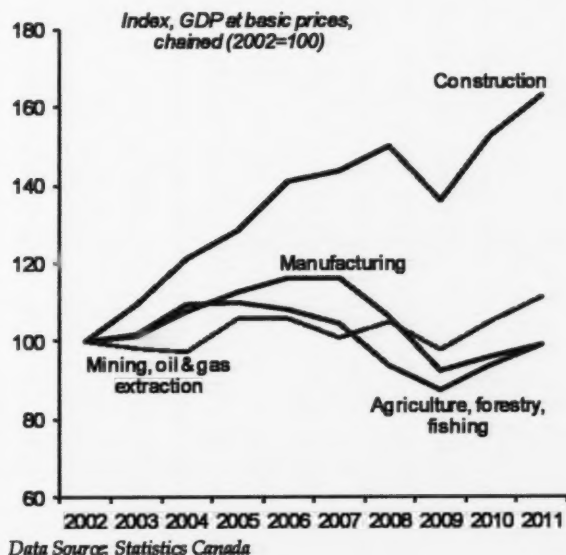
Data Source: Statistics Canada

The meagre long-term rate of expansion in the goods sector is largely the result of a prolonged downturn in the sector that began in 2007 and extended through the recession of 2009, eroding away most of the growth that occurred earlier in the decade. Strong growth in 2010 (+6.8%) and 2011 (+5.6%) has allowed the goods sector to regain ground lost in recent years.

The construction industry, which has been striding ahead in terms of growth, has expanded 63.1% since 2002. Though the construction industry was the largest employer in the goods sector in 2011, manufacturing holds the largest share of GDP.

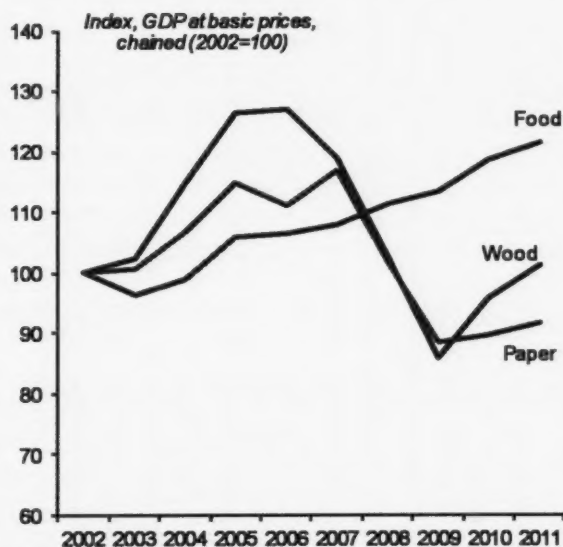
The manufacturing, and agriculture, forestry, fishing & hunting sectors, which have experienced declines in recent years, remained 22.0% below 2002 levels in 2011. GDP in mining and oil & gas extraction has increased 11.2% over 2002 levels, primarily due to expansion in oil and gas extraction (+20.5%), and a 111.2% increase to GDP in related support activities over the same period.

Gains in construction led the goods sector



Growth in key manufacturing industries has been varied. GDP in the paper industry has fallen 8.4% since 2002, while wood manufacturing has inched ahead just 1.2%. B.C.'s food manufacturing industry has seen substantial growth, expanding 21.6% since 2002. In 2011, fabricated metal products rebounded from declines, surpassing 2002 levels for an increase of nearly 2.7%.

Slight expansion in B.C.'s manufacturing sector



Stable goods sector supports moderate growth in service sector

Most of B.C.'s resource-based products are destined for sale outside the province, so changes in global economic conditions often affect the demand for these products. Other than transportation and warehousing, many of the key service industries are largely consumer-oriented, so they are less vulnerable to changes in demand that originate outside the province.

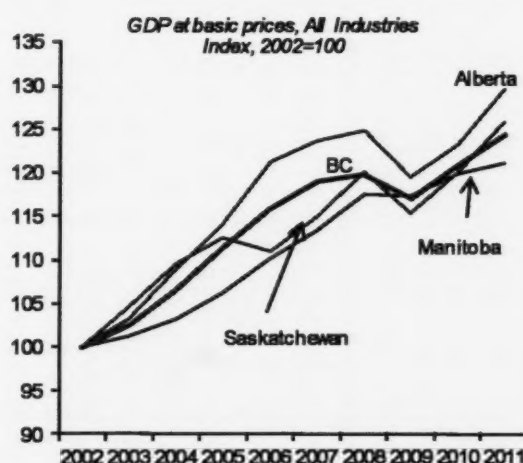
With more than three-quarters of total GDP originating in service-producing industries, B.C. is particularly dependent on the service sector. This has helped keep the economy on a steady upward path, despite volatility in the resource-

based industries, which tend to experience boom and bust cycles. Although the goods sector has declined 11 times² since 1981, B.C.'s economy has expanded in all but two years—1982 and 2009. In 2009, the combined effect of lower consumer, business, and non-resident demand for B.C. services halted growth in the service sector.

While the four western provinces have recorded significant expansion since 2002, growth in central and eastern Canada has been modest in comparison. B.C.'s economy has grown over 24.3%, well above the national average (+18.5%). In fact, all four western provinces outperformed the national average, while Newfoundland (+19.5%) was the only eastern province that achieved such growth.

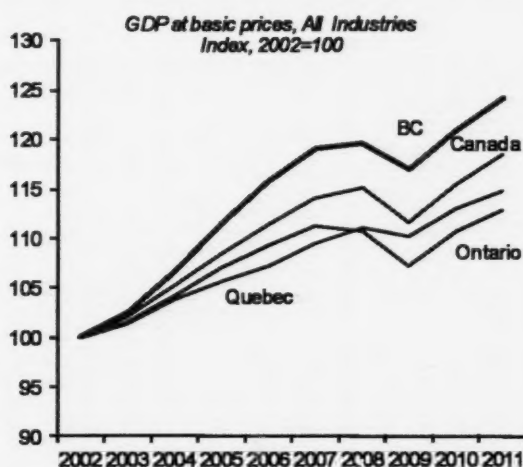
However, stronger-than-average growth in the west was not just an indication of relatively robust conditions in this part of the country. It was also a reflection of weak economic performance in central Canada. Ontario has seen output in the goods sector drop over 10.5% since 2002. The decline in Ontario's goods sector began in 2006, well in advance of the global recession, which merely exacerbated an already present period of downturn. Quebec has fared only slightly better, its goods sector posting marginal growth of just 1.3% between 2002 and 2011.

Western provinces continue to leap ahead on an expansionary path...



Data Source: Statistics Canada

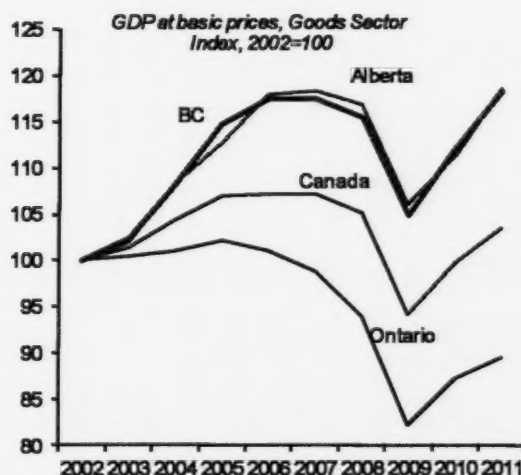
...while Ontario and Quebec proceed modestly



Data Source: Statistics Canada

² GDP in the goods sector shrank in 1981, 1982, 1986, 1990, 1991, 1996, 1998, 2001, 2007, 2008 and 2009.

Goods industries in central Canada still suffering, while B.C. and Alberta return to pre-recessionary levels



Data Source: Statistics Canada

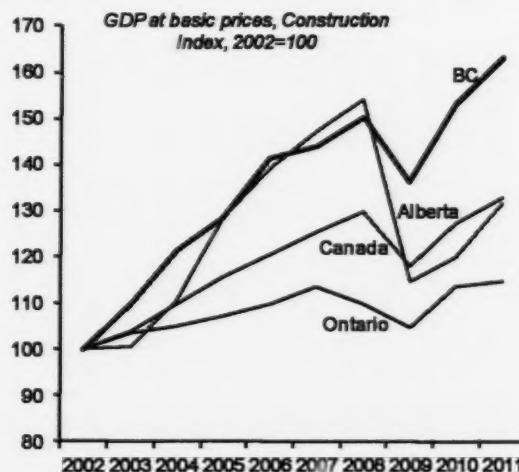
Reasons underlying both growth and decline in the goods sector vary provincially. In Ontario, where manufacturing dominates goods production, the sector has declined over 21.4% since 2002. Quebec has also seen much of its manufacturing sector fall into decline (-13.3%) during this period.

The energy sector, which helped fuel strong growth earlier in the decade, but lost steam in 2009, has picked up in Alberta, Ontario, and Quebec. Of the provinces, Manitoba has seen the most considerable growth in the energy sector, at 43.1% since 2002.

Significant expansion in British Columbia's construction industry has placed it well above the national average (+32.4%), and had a strong impact on growth in the goods sector. Like B.C., Alberta's growth in construction in 2011 was related to the developments in the oil & gas sector, namely oil & gas engineering construction (+33.2%). The construction industry in Ontario saw only a marginal increase (+0.9%) in 2011, following a large increase in transportation

engineering during each of the previous two years.

Construction GDP has advanced quickly in B.C. compared to the national average

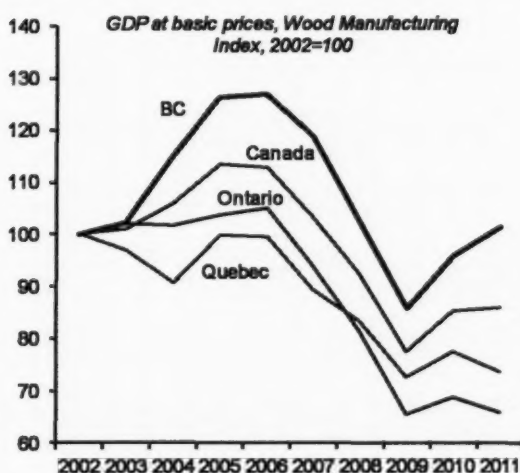


Data Source: Statistics Canada

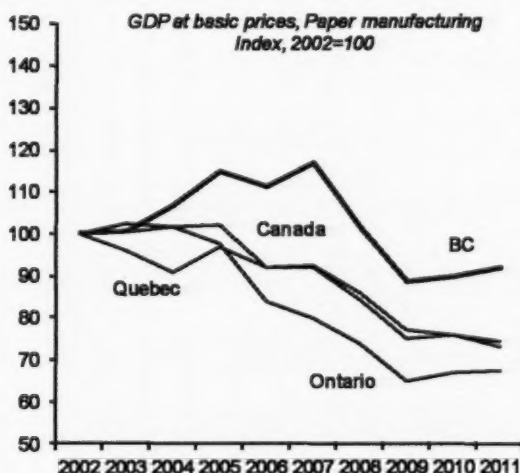
B.C.'s wood and paper manufacturers have faced big challenges, and lost substantial ground during the economic decline. The wood manufacturing industry in B.C. recovered to just slightly above 2002 levels in 2011, while Quebec (-26.7%) and Ontario (-34.2%) manufacturers of wood products remains well below 2002 levels in terms of GDP.

Similarly for paper manufacturing, B.C. has recorded only marginal growth in the last three years, and remains below (-8.4%) the level established in 2002. Quebec and Ontario both posted a slight decline in paper manufacturing in 2011, and remain notably lower than 2002 levels.

Forest-related manufacturing had regained lost ground in B.C., but continues to lag in the east



Data Source: Statistics Canada



Data Source: Statistics Canada

Overall, strong performance in 2011

B.C.'s economy expanded in 2011 as the province continues to recover from the recent downturn. In the face of shifting economic conditions, B.C.'s goods sector has regained lost ground by relying on the province's wealth of natural resources to meet demand from abroad. The service sector has followed suit, adding

economic value to exports, and benefitting from increased transportation activities.

Three of the largest industries in B.C. derive at least part of their business from providing services to consumers. While some services are supported by discretionary spending, others are not, which means the demand for some types of services is unlikely to be greatly reduced, since factors such as population growth or changes in the age structure of the population also play a significant roll.

In B.C., the largest industries are in the service sector



Percent of total GDP at basic prices, 2011

Data Source: Statistics Canada